

# Finance Systems Statement of Direction

for the Victorian Public Service

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# Vision, purpose and document details

<b>VISION</b>	That the Victorian Government's financial systems support effective financial management and provides robust controls for the expenditure of public money.		
<b>PURPOSE</b>	<p>To uplift and modernise finance systems to deliver consistent financial services support across the Victorian Government.</p> <p>To provide timely, accurate financial consolidation across government, that supports state-wide financial analysis, budgeting and scenario-based planning.</p>		
<b>APPLIES TO</b>	All Departments and Victoria Police	<b>AUTHORITY</b>	Victorian Secretaries Board
<b>PERIOD</b>	2016 to 2020	<b>ADVISED BY</b>	DPC, in consultation with departmental CFOs and CIOs
<b>ISSUE DATE</b>	August 2016	<b>DOCUMENT ID</b>	SOD/FIN/01 TRIM DPC D16/138568
<b>REVIEW DATE</b>	August 2019	<b>VERSION</b>	1.0 – 31 August 2016

# Introduction

## Background

Finance systems form part of a broader suite of business management software that assists organisations analyse and manage their various business operations so that they can conduct business and make vital decisions.

The integrated technology offering provides this broader capability is known as Enterprise Resources Planning (ERP) software. Finance systems are an integral module of ERP and use the General Ledger (GL) to bind all areas of financial processing together to record financial transactions and prepare reporting for the business and corporate areas of government and other parties.

Although departments across the Victorian Government operate different businesses, there is scope for consistency of business requirements in the use of finance systems. Each department is required to transact, record, analyse and report using their financial system so that they can comply with statutory, professional and management requirements.

## Problem

Over time, the government wants a consistent system platform for government finances, making information consolidation and analysis easier across government and utilising system tools to ease some aspects of machinery of government changes.

Departments are at different stages of investigating future options for the delivery of their finance services and are seeking to resolve the various issues experienced in operating their current ageing platforms. The specific concerns being addressed by departments relate to the risks associated with expiring software support, significant upgrade outlays and the effort involved in upgrading and operating their finance systems within in-house system environments.

Inconsistent business process between departments stifles opportunities for clustering arrangements. While these may be able to be addressed in bilateral arrangements, the opportunity for broader consolidation based on in-house customised systems is hard to implement due to customised systems and the complexity and risk of multi-department 'big bang' projects.

## Statement of direction

This statement of direction provides high level requirements for consistent finance systems within the Victorian Government. It describes the overarching components required and the systems platform requirements needed to support improved and consistent government finance processes, addressing the above problem.

This statement describes a future desired state, but not the mechanisms or timing to implement it (see the implementation statement near the end of this document).

# Key objectives

To establish a Victorian Government shared financial systems platform, that will:

- facilitate the preparation and maintenance of timely, accurate, appropriate and effective reporting on financial matters for use in management decision-making and to support operational reporting
- provide analysis and information that supports public sector decision-making and the measurement and management of financial performance
- have the required functionality and services that enable finance teams to process financial transactions in an efficient and auditable way
- have mechanisms that enable government bodies to deliver reliable corporate reporting and achieve compliance with relevant laws and regulations, according to their structure and governance obligations
- enable effective financial management controls that ensures transparency and accountability in the allocation of public funds, to support the delivery of government services in an appropriate and responsible way
- provide robust systems that makes financial management simpler, efficient and contemporary.

# Related documents and scope

## Documents

- *Information Technology Strategy Victorian Government, 2016 to 2020*
- *Workplace Environment Statement of Direction (SOD/Workplace/01)*
- EY Options Paper for Shared Finance Solution ( July 2016)
- Whole of Government Chart of Accounts Guideline (DTF, July 2016)
- *Business Support Services Strategic Review (DPC, June 2015)*

## Scope

The following departments and agencies are formally in scope:

- Department of Economic Development, Jobs, Transport and Resources
- Department of Education and Training
- Department of Environment, Land, Water and Planning
- Department of Health and Human Services
- Department of Justice and Regulation
- Department of Premier and Cabinet
- Department of Treasury and Finance
- Victoria Police
- CenITex (to removed doubt for implementation matters)

These are referred to collectively as 'departments' in this document.

# Overview

**Overview** – See Figure 1. A consistent and streamlined finance platform that provides a better user experience, reduced effort in performing upgrades, modern functionality and opportunity for simpler whole of government financial reporting.

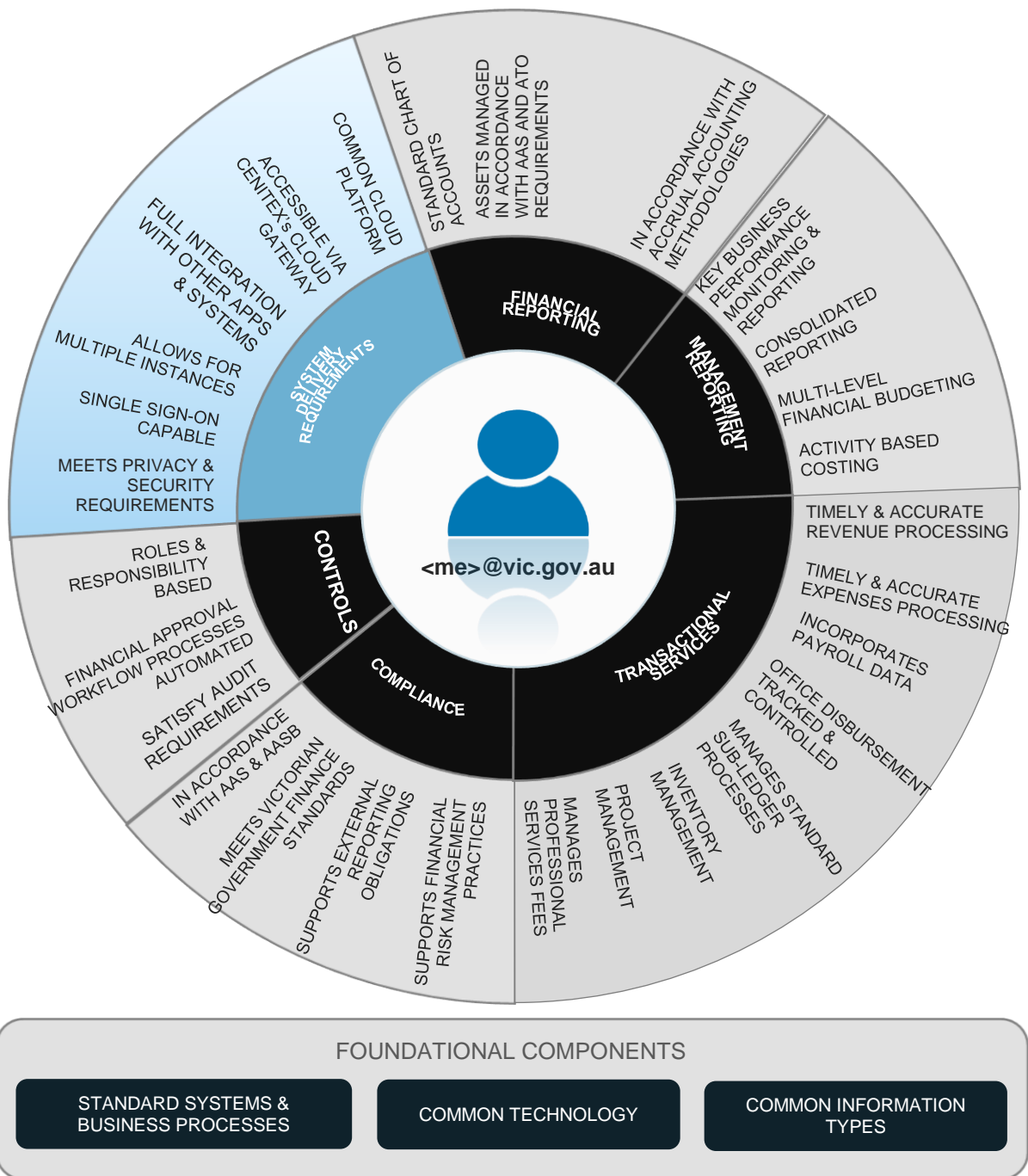


Figure 1 - Overview

AAS – AUSTRALIAN ACCOUNTING STANDARDS  
 AASB – AUSTRALIAN ACCOUNTING STANDARDS BOARD  
 ATO – AUSTRALIAN TAXATION OFFICE

# Direction

The following section outlines the high level requirements for Government Finance Systems.

There are six components covered in this statement:

## Part A – Financial Management, Reporting and Transactions

1. Financial reporting
2. Management reporting
3. Transactional services
4. Compliance
5. Controls

## Part B – System components

6. System delivery requirements

## Part A – Financial Management, Reporting and Transactions

### 1. Financial reporting

#### Objective

To facilitate the preparation and maintenance of timely, accurate, appropriate and effective reporting on all financial matters for use in management decision-making and to support operational reporting.

Reference	Direction	Benefit for Government
FIN-01	Financial statements will be produced to meet the needs of business managers and financial staff.	Government will be able to ensure that the following reports are prepared in accordance with accrual accounting (or modified accrual) methods, so that financial information is properly reported in: <ul style="list-style-type: none"><li>▪ Income statement / Balance Sheets;</li><li>▪ Statements of recognised income and expense;</li><li>▪ Cash flow statements;</li><li>▪ Consolidated reporting; and</li><li>▪ Notes to financial statements.</li></ul>



Reference	Direction	Benefit for Government
FIN-02	A standard Chart of Accounts (CoA) will be used to accurately record and report on financial transactions.	<p>A standardised CoA schema will allow:</p> <ul style="list-style-type: none"> <li>▪ Departments to organise their accounts in a consistent way;</li> <li>▪ Departments to communication more easily with each other, through common terminology;</li> <li>▪ Departments and whole-of-government to perform financial aggregation more easily;</li> <li>▪ DTF to interpret and analyse financial information more easily, to support consolidations, budgeting and MoG purposes.</li> </ul> <p><b>Note:</b> standardisation is only required for a subset of the chart, as some flexibility should be preserved to support unique departmental reporting requirements.</p>
FIN-03	Accurate tracking of financial transactions between debtors and creditors will be provided via customer/supplier management capabilities.	<p>Appropriate tracking of vendor/customer information will help government manage the risks of inaccurate information, so that:</p> <ul style="list-style-type: none"> <li>▪ the Accounts Payable function can clear all invoices within contracted terms;</li> <li>▪ the Accounts Receivable function will collect all revenue that is owed in a timely manner; and</li> <li>▪ all vendor/customer contact information is current to enable transactions to process without confusion or delay.</li> </ul>
FIN-04	Ability to track and review cash management activities and reconcile financial records to bank statements.	<p>Tracking cash movements in/out of the department provides greater transparency for reconciliation purposes and helps manage:</p> <ul style="list-style-type: none"> <li>▪ bank accounts and credit facilities, and</li> <li>▪ the preparation of cash-flow statements and budget forecasts.</li> </ul>
FIN-05	Ability to manage assets in accordance with Australian Accounting Standards and Taxation Requirements.	<p>Finance systems will help departments manage asset financials by recording comprehensive asset information, such as:</p> <ul style="list-style-type: none"> <li>▪ acquisition and disposal values;</li> <li>▪ changes in asset value (per depreciation or revaluation);</li> <li>▪ asset types (tangible or intangible); and</li> <li>▪ other information to support inventory management, insurance purposes (VMIA) or internal financial delegation requirements.</li> </ul>

## 2. Management reporting

### Objective

To provide analysis and information that supports public sector decision-making and the measurement and management of financial performance.

Reference	Direction	Benefit for Government
FIN-06	Reporting and monitoring of key business performance measures, then leverage this information for decision-making.	<p>Analysing information gathered by financial systems can provide management with greater insight into the operational effectiveness of their department by:</p> <ul style="list-style-type: none"> <li>▪ identifying those services that can be delivered more efficiently;</li> <li>▪ mapping business outputs to budget, to determine the business performance;</li> <li>▪ providing management with the relevant trends and statistics, for informed decisions; and</li> <li>▪ satisfying the necessary compliance requirements (as described in section 4).</li> </ul> <p><b>Note:</b> the level of data insight available to departments will vary according the sources (and types) of data collected and the level of investment made in Business Intelligence (BI) tools to support the finance function.</p>
FIN-07	Consolidated financial reporting is able to be performed at the whole of department and whole of government levels.	<p>The government finance system will produce consolidated financial reporting, so that:</p> <ul style="list-style-type: none"> <li>▪ departments can report and manage whole-of - departmental finances (for their portfolio); and</li> <li>▪ DTF can report and manage whole-of-government finances on behalf of the State.</li> </ul> <p><b>Note:</b> see note re SRIMS under FIN-08</p>
FIN-08	Multi-level financial budgets are able to be prepared to support the operational and longer-term financial planning needs of the department and whole of government.	<p>Effective budgeting is required so that departments can:</p> <ul style="list-style-type: none"> <li>▪ ensure sufficient cash is available to maximise investment opportunities;</li> <li>▪ manage deficits so that borrowing costs are minimised;</li> <li>▪ provide operational forecasts to ensure immediate commitments can be met (including cost of service provision and running costs);</li> <li>▪ provide tactical forecasts (with detailed estimates), so that planned activities are funded;</li> <li>▪ longer-term forecasts, that plan annual commitments and contingencies; and</li> <li>▪ facilitate ongoing communication with DTF about current and future budgeting requirements.</li> </ul> <p><b>Note:</b> DTF's SRIMS system will continue to be used for the foreseeable future until better arrangements are available, or until the value from it has been fully realised. This requirement merely notes that such functionality should be available, for <u>when</u> it is suitable to move to a new approach.</p>

Reference	Direction	Benefit for Government
FIN-09	Ability to perform Activity Based Costing to understand and manage the real costs of operating.	<ul style="list-style-type: none"> <li>By setting up cost centres in the Government Finance System, departments are able to undertake further analysis on expenses to determine the full costs of delivering a service or other outcome.</li> <li>Results of this analysis can provide more robust budgets and ERSC submissions.</li> </ul>

### 3. Transactional services

#### Objective

To provide the required functionality and services that enable finance teams to process financial transactions in an easy and auditable way.

Reference	Direction	Benefit for Government
FIN-10	Accurate processing of revenue earned or appropriated in a timely manner.	<p>Enforcing accurate and timely recording of all revenue earned, will enable departments to:</p> <ul style="list-style-type: none"> <li>recognise income earned in accordance with relevant accounting standards, and</li> <li>adhere to relevant cash and credit management practices.</li> </ul>
FIN-11	Accurate processing of expenses incurred in a timely manner.	<p>Enforcing accurate and timely recording of all expenses incurred, will enable departments to:</p> <ul style="list-style-type: none"> <li>recognise expenses in accordance with relevant accounting standards, and</li> <li>adhere to relevant expense management approvals.</li> </ul>
FIN-12	Incorporation of relevant payroll data into financial calculations.	<p>The government finance systems will:</p> <ul style="list-style-type: none"> <li>incorporate all payroll information, so that all salaries, employee benefits and other staff expenses are captured and reported on in financial statements;</li> <li>be able to track financial liability, on-cost and superannuation accounting; and</li> <li>have an automated interface to dedicated payroll and/or staff rostering systems, for those departments that are heavily reliant on shift work and more intricate employment awards.</li> </ul>
FIN-13	Office disbursements are controlled and tracked according to policy requirements.	<p>The government finance system will be able to provide adequate visibility (audit trail) of all expenditure types, including: office consumables, travel, hospitality, reimbursements, gifts, employee advances and petty cash.</p>

Reference	Direction	Benefit for Government
FIN-14	Ability to manage standard sub-ledger processes (for example, grants, assets systems and other feeder systems).	Those departments that provide sub-ledger processes through other systems (eg grants) as part of their core business, will be able to: <ul style="list-style-type: none"> <li>▪ process these through the finance system; and/or</li> <li>▪ have an automated interface to their systems.</li> </ul>
FIN-15	Ability to manage financial accounting relating to inventory.	Those departments that manage inventory as part of their core business, will be able to: <ul style="list-style-type: none"> <li>▪ manage the financial treatment of their inventory (purchases, sales, breakage, etc.); and</li> <li>▪ have an automated interface to their inventory management system.</li> </ul>
FIN-16	Ability to manage project management financial accounting.	Those departments that manage projects as part of their core business, will be able to: <ul style="list-style-type: none"> <li>▪ manage the financial treatment of the projects that they oversee; and</li> <li>▪ have an automated interface to their project management system.</li> </ul>
FIN-17	Ability to manage professional services fees.	Those departments that provide professional services as part of their core business, will be able to: <ul style="list-style-type: none"> <li>▪ manage revenue information pertaining to the professional services provided; and</li> <li>▪ have an automated interface with to their timesheet/billing system.</li> </ul>
FIN-18	Processes related to the government finance system may be operated singly by a department, or by a department offering related services to other departments as a service. A catalogue of these services will be developed.	Economies of scale can be achieved, where departments (both offering and receiving) agree that there is value. <p><b>Note:</b> This relates to <u>processes</u> and will be undertaken within an agreed governance framework. DPC will assist in setting up the Design Authority and shared services governance for such arrangements with a view to move to larger clusters of service provision being created as further value is identified.</p>

## 4. Compliance

### Objective

To provide mechanisms that enable responsible government bodies to deliver reliable corporate reporting and achieve compliance with relevant laws and regulations, according to their structure and governance obligations.

Reference	Direction	Benefit for Government
FIN-19	Financial reporting can be prepared in accordance with relevant accounting standards.	Help departments achieve compliance with Australian Accounting Standards (AAS and AASB).
FIN-20	Ability to operate within the framework of government finance standards.	Help departments achieve compliance with: <ul style="list-style-type: none"><li>▪ The Financial Management Act 1994 (FMA)</li><li>▪ Victorian Government, Standing Directions of the Minister for Finance (2015 update).</li></ul>
FIN-21	Financial reporting supports external reporting obligations relevant to each sector.	The government finance system will help departments achieve compliance with: <ul style="list-style-type: none"><li>▪ Service requirements (KPIs relating to clients, patients, environmental or other outputs), and</li><li>▪ Taxation requirements.</li></ul>
FIN-22	Appropriate processes are in place to financial risk management practices.	The government finance system will help departments achieve compliance with: <ul style="list-style-type: none"><li>▪ Treasury risk management policies;</li><li>▪ Commodity risk management policies; and</li><li>▪ Foreign exchange risk management policies.</li></ul>

## 5. Controls

### Objective

To provide effective financial management controls that ensures transparency and accountability in the allocation of public funds, to support the delivery of government services in an appropriate and responsible way.

Reference	Direction	Benefit for Government
FIN-23	Ability to control all functions within the finance system, according to correct roles and responsibilities.	Appropriate security settings will be in place to ensure that: <ul style="list-style-type: none"><li>▪ appropriate access to systems and specific functionality is limited only to authorised staff (role-based privileges); and</li><li>▪ the system will support financial reporting cycles by 'locking' of financial statements and review notes.</li></ul>

Reference	Direction	Benefit for Government
FIN-24	Financial processes requiring approvals have automated and auditable workflows.	The government finance system will support all areas of approvals management, such as: <ul style="list-style-type: none"> <li>▪ Expense payments and purchasing approvals;</li> <li>▪ Delegation management;</li> <li>▪ Discretionary payments;</li> <li>▪ Financial statements preparation;</li> <li>▪ Payment summaries preparation, etc.</li> </ul>
FIN-25	Finance teams will have control over audit requirements and processes within their function.	The government finance system will satisfy audit requirements, including: <ul style="list-style-type: none"> <li>▪ Internal audit committee;</li> <li>▪ External auditors;</li> <li>▪ Financial notes, instructions and schedules;</li> <li>▪ Documented processes; and</li> <li>▪ System governance.</li> </ul>

## Part B – System components

### 6. System delivery requirements

#### Objective

To provide robust systems that make financial management simpler, easier and contemporary.

Reference	Direction	Benefit to Government
FIN-26	Victorian Government will operate a common core finance platform for all departments.	A common government finance system (from a single vendor) will provide: <ul style="list-style-type: none"> <li>▪ consistency in the use of technology across departments;</li> <li>▪ a uniform agreement with the vendor, allowing agencies to procure from a standard contract;</li> <li>▪ user familiarity between agencies, enables staff to work more easy across government.</li> </ul> <p><b>Note:</b> “common” does <b>not</b> mean a single instance for the whole government. See FIN-28.</p> <p><b>Note:</b> it is acknowledged that departments operate specialist software systems that interface with their finance system. These need not be common across government, although clustering arrangements may be pursued. See also FIN-30 (third party systems).</p>

Reference	Direction	Benefit to Government
FIN-27	The government finance system will be accessible via a 'Cloud Computing' model.	<p>A public 'cloud' model (Software-as-a-Service) will allow government:</p> <ul style="list-style-type: none"> <li>to shift much of the technology responsibility to third party providers;</li> <li>greater accessibility options, leveraging internet services;</li> <li>to take advantage of 'Software as a Service' offerings, where the system can be licensed as an OPEX arrangement.</li> </ul>
FIN-28	Departments (including 'clusters') can manage their own instances of the system.	<p>Where required, independent instances will allow:</p> <ul style="list-style-type: none"> <li>personalisation of user screens and configuration options;</li> <li>simple workflow automation to support organisational processes;</li> <li>interfaces with other critical corporate systems that may be unique to a department (or cluster).</li> </ul>
FIN-29	The government finance system will be well maintained, with up to date system and legislative updates.	<p>Maintaining current software, will:</p> <ul style="list-style-type: none"> <li>provide consistency in versioning, functionality and security updates across departments;</li> <li>ensure access to software assurance from the vendor; and</li> <li>avoid large, expensive upgrades when major system releases are required the future.</li> </ul>
FIN-30	The government finance system will facilitate integration and data flows with third party systems.	<p>Third party integration will enable:</p> <ul style="list-style-type: none"> <li>departments to connect with other systems that are related to finance, but operate separately (such as Human resources/Payroll, rostering, procurement, grants management and project management systems);</li> <li>the government to take advantage of new enterprise technology services, in line with the <i>Victorian Government Workplace Environment Statement of Direction</i>.</li> </ul>
FIN-31	The government finance system will be setup in a manner which facilitates reorganisation activities following Machinery of Government changes (MOGs).	<p>Wherever possible, departments will work together to ensure consistency in the configuration and use of their instances, so that the process of joining or separating environments will be conducted in a straightforward and inexpensive manner.</p>
FIN-32	The cloud system will use the CenITex-supported cloud gateway to the extent that it is available.	<p>Standardised, fast, secure and managed use of cloud services by the government ensures compliance issues, security and speed are managed through an expert technical service.</p> <p><b>Note:</b> Departments not currently part of CenITex services may still consume the cloud gateway service if desired.</p>

Reference	Direction	Benefit to Government
FIN-33	The system will be able to make use of identity management capability provided as a separate service.	By being able to use the single unique identifier for Victorian Government employees envisaged in the <i>Workplace Environment Statement of Direction</i> , the concept of identity can be abstracted from the Finance system itself, allowing for fewer logons needed for staff and more consistent identity management across multiple systems.
FIN-34	The system will operate within the framework of related privacy and security requirements to maintain the integrity of commercially sensitive and employee personal information.	The government finance system will help departments achieve compliance with privacy and security policy.

## Implementation

Implementation of Finance Systems will align with the *Information Technology Strategy, Victorian Government, 2016 to 2020* and the broad principles of governance and implementation set out in the *Business Support Services Strategic Review*. A 'first' department will be identified. DPC will assist to establish a working group of relevant stakeholders to develop a future design, implementation roadmap and preliminary business case.

## Document control

### Approval

This document was approved by the Victorian Secretaries Board on 31 August 2016 and applies from the date of issue (see cover).

### Version history

Version	Date	Comments
0.1	May 2016	Initial concept developed, based on the current state assessment and business case prepared by Ernst & Young (EY) in 2013 and the NOUS Workshops with CFOs in late 2015.
0.2	June 2016	Enterprise Solutions draft based on NOUS Workshops with CFOs
0.3	June 2016	Draft prepared for CFO July 2016 workshop incorporating updates and information from the current state document based on interviews with CFOs and corporate Deputy Secretaries.



Version	Date	Comments
0.4	July 2016	Full document Draft, incorporating comments received from CFO workshop.
0.9	July 2016	Final consultation draft for comments from CFOs/Finance Directors, prior to submission to VSB, including some comments from CIOs.
1.0	August 2016	Incorporation of final comments from CFOs, Finance Directors and CIOs. Approval version for submission to the VSB.

## Glossary

Term	Meaning
BI	Business Intelligence, a process used to analyse data with organisational systems.
Clusters	Two or more agencies that come together as a group to use an ICT service or shared ICT environment.
ERSC	Expenditure Review sub-Committee, a subcommittee of the Victorian Cabinet
DTF / DPC	Department of Treasury and Finance / Department of Premier and Cabinet.
MOG	Machinery of Government, when departments undergo a realignment to reflect new organisational structure.
OPEX	Operational expenditure.
SaaS	Software as a Service, also known as public "Cloud Computing" ( or 'Cloud'), used to describe standard application software accessed via the Internet and not installed on the premises of the organisation.